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TO RUEHC/SECSTATE WASHDC 2113
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JUSTICE FOR OIA AND AFMLS
TREASURY FOR FINCEN
STATE FOR EB/ESC/TFS, INL AND EAP/ANP

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TAGS: [EFIN](#) [KCRM](#) [KTFN](#) [PTER](#) [SNAR](#) [NZ](#)

SUBJECT: 2005-2006 INTERNATIONAL NARCOTICS CONTROL STRATEGY
REPORT, MONEY LAUNDERING: NEW ZEALAND

REF: STATE 210351

1. Below is post's input on New Zealand for the money laundering section of the 2005-2006 International Narcotics Control Strategy Report (INCSR). This input also will be sent via unclassified e-mail to Ed Rindler, INL/C/CP.

2. Begin submission:

New Zealand is not a major regional or offshore financial center. Its small number of banks and financial institutions can be effectively monitored by government regulatory authorities. Although there is evidence that some money laundering does take place, it does not appear to be significant. Narcotics proceeds and commercial crime are the primary sources of illicit funds. International organized criminal elements do operate in New Zealand.

Money laundering is criminalized in New Zealand under two laws. Under the Crimes Act 1961 and Misuse of Drugs Act 1975, it is illegal to launder the proceeds resulting from a serious offense, or to be involved in money laundering transactions, if the offender knew or believed that the proceeds were derived from a serious offense or a specified drug offense. The acts also apply to a recipient of property who was reckless in determining whether it had been acquired as the proceeds of a serious offense or a specified drug offense. A serious offense includes any crime punishable by at least five years' imprisonment. In addition, the Crimes Act criminalizes the receiving of property or funds if the recipient knew they had been obtained, or was reckless as to whether they had been obtained, by any crime.

The Financial Transaction Reporting Act 1996 contains reporting obligations for a wide range of financial institutions, including banks, credit unions, casinos, real estate agents, lawyers, and accountants. These entities must identify clients, maintain records and report suspicious transactions. The Act also requires the reporting of large cross-border currency movements and contains a "safe harbor" provision, or immunity from civil, criminal or disciplinary proceedings for persons reporting suspicious transactions and money laundering.

Proposed legislation, introduced in June 2005 in Parliament, would allow the government to freeze or confiscate assets generated by crime, even in cases where a person is not convicted of a crime but is unable to demonstrate the legitimate acquisition of the assets in question. The Terrorism Suppression Act, enacted in October 2002, criminalizes terrorist financing. This act amended the existing law to enable New Zealand to ratify the UN

International Convention for the Suppression of the Financing of Terrorism. The act authorizes the government to designate non-UN listed entities as terrorist organizations and to freeze, seize and forfeit their assets. The act, which criminalizes the financing of terrorist acts and of designated terrorist entities, was amended in June 2005, making illegal the intentional financing of non-designated organizations that engage in terrorism. The Prime Minister is responsible for designating terrorist entities upon a recommendation of the New Zealand Police and in consultation with the Attorney General. Once the designation is made, the police inform banks and other appropriate parties. A public notice is also published. The police and the Crown Law Office are developing additional procedures to implement the Terrorism Suppression Act's provisions. New Zealand has consistently implemented financial controls against entities included on the UN 1267 Sanctions Committee consolidated list. No assets from these entities have yet been identified in New Zealand.

Parliament in April 2005 passed the Charities Act, which establishes a Charities Commission to register and monitor charitable entities. Registration is not required, but an entity must do so to qualify for tax-exempt status. An organization cannot be registered if it is designated a terrorist entity or convicted of any offense under the Terrorism Suppression Act.

New Zealand and the United States do not have a Mutual Legal Assistance Treaty. However, New Zealand legislation applies certain provisions of the Mutual Assistance in Criminal Matters Act 1992 unilaterally to the United States. In practice, New Zealand and U.S. authorities have enjoyed a good record of cooperation and information sharing in this area.

New Zealand is a party to the 1988 UN Drug Convention, and in July 2002, ratified the UN Convention against Transnational Organized Crime. It signed the UN Convention against Corruption in 2003. New Zealand is a member of the

Financial Action Task Force, the Asia/Pacific Group on Money Laundering, and the Pacific Islands Forum. Its Financial Intelligence Unit is a member of the Egmont Group. The New Zealand government has played a leadership role in promoting efforts to combat money laundering in the South Pacific region, providing substantial amounts of technical assistance and training to Pacific Island governments. The Government of New Zealand has established a comprehensive anti-money laundering regime. It should build upon this base by continuing its implementation of its Terrorism Suppression Act. Additionally, New Zealand should continue its recognized leadership in the international arena.

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